

CALVERT
Gas & Oils
Limited

Annual Report

FOR THE YEAR ENDED
DECEMBER 31, 1966

CALVERT GAS & OILS LIMITED

(Incorporated as a Public Company under the Laws of the Dominion of Canada)

CAPITALIZATION

	Authorized	Issued
Common Shares	5,000,000	3,700,000

OFFICERS and DIRECTORS

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OFFICERS

J. J. C. EVANS	President
F. W. BOULGER	Secretary-Treasurer
F. G. ROMAN	Assistant Secretary-Treasurer

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DIRECTORS

F. W. BOULGER	Toronto, Ontario
J. J. C. EVANS	Toronto, Ontario
J. S. GRANT	Toronto, Ontario
A. R. RATTEW	Toronto, Ontario
F. G. ROMAN	Toronto, Ontario
R. RULE	Toronto, Ontario

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TRANSFER AGENTS

Guaranty Trust Company of Canada

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ADMINISTRATIVE OFFICES

20th Floor, 4 King Street West, Toronto, Ontario

CALVERT GAS & OILS LIMITED

20th Floor, 4 King Street West
Toronto, Ontario

To the Shareholders:

Enclosed please find a Notice calling the Annual Meeting of Shareholders to be held in the Royal Room of the King Edward Sheraton Hotel, 37 King Street East, Toronto, Ontario, on Wednesday, the 28th day of June, 1967, at the hour of 10:30 o'clock in the forenoon (Eastern Daylight Saving Time). Also enclosed is a copy of the balance sheet as at December 31, 1966 with relative statements thereto and the report of the Auditors thereon. Finally, there is enclosed an information circular and form of instrument of proxy for use by those shareholders who cannot personally attend the meeting and wish to vote their shares.

Claim holdings in the Gaspé area of Quebec consist of a group of 10 claims in the Lesseps-Lemieux area and a group of 54 claims in Lemieux Township.

On the Lesseps-Lemieux group line cutting was completed and an induced polarization survey carried out. This survey failed to indicate a target warranting further investigation and no additional work is currently contemplated.

On the Lemieux group previous work disclosed considerable copper mineralization in a favorable geological environment at a number of locations. However, to date a zone of potential economic importance has not been revealed. During the past year work on this group consisted of detailed geological mapping and an induced polarization survey. This geophysical work revealed three anomalous areas which have not been previously tested. The program for the coming season will consist of a diamond drill test of these anomalous areas.

Subsequent to December 31, 1966, the Company sold all its interests in Bedford American Petroleum Corporation as stated in the auditors notes to the financial statement. This was done after an appraisal of the assets was made by a firm of oil consultants and on the advice of a petroleum engineer.

On behalf of the Board of Directors,

J. J. C. EVANS,
President.

Dated: June 8, 1967.

CALVERT GAS

(Incorporated as a Public Company U

Balance Sheet as of

ASSETS

Current Assets

Cash	\$ 7,827.04	
Short term deposit receipt	37,386.24	
Accounts receivable	1,665.50	
Prepaid expenses	315.00	\$ 47,193.78

Investment in Wholly-Owned Subsidiary (Note 1)

Shares	\$ 500.00	
Advances	195,558.72	
	<u>\$196,058.72</u>	
Less: Provision for write down to realizable value	166,058.72	30,000.00

Fixed Assets (At Cost)

Oil Properties (Note 2)

	Cost	Accumulated Depletion and Depreciation	Net
Interests in productive leases	\$ 26,691.38	\$ 8,624.14	\$ 18,067.24
Development costs on productive leases ..	53,455.57	9,235.33	44,220.24
Lease equipment	13,693.36	4,406.43	9,286.93
Interests in undeveloped leases, reservations, etc.	27,349.85	—	27,349.85
	<u>\$121,190.16</u>	<u>\$ 22,265.90</u>	<u>\$ 98,924.26</u>

Mining Properties (at cost) (Note 3)

Mining claims	\$ 75,533.00		
Development costs (as per attached statement)	153,140.07		
	<u>\$228,673.07</u>		
Mining equipment and supplies	13,221.00		
Airstrip	1,000.00	242,894.07	341,818.33

Other Asset (Note 4)

Organization and reorganization expense — unamortized balance	279.73	
	<u>\$419,291.84</u>	

AUDITORS' REPORT

We have examined the balance sheet of Calvert Gas & Oils Limited as at December 31, 1967, and included a general review of the accounting procedures and such tests of accounting records as we considered necessary.

In our opinion, the above balance sheet and related statements present fairly the financial position of the company as at the year ended on that date, in accordance with generally accepted accounting principles applicable to the circumstances.

Our examination also included the accompanying statement of source and application of funds, which presents fairly the changes in the working capital of the company for the year ended December 31, 1967.

Toronto, Ontario.
May 23, 1967.

OILS LIMITED

(Incorporated under the Laws of the Dominion of Canada)

December 31, 1966

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities

Bank loan (secured)	\$ 22,493.24	
Accounts payable and accrued liabilities	9,254.64	\$ 31,747.88
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Shareholders' Equity

Capital Stock

Authorized

5,000,000 shares of par value 5¢ each

Issued and Fully Paid

	Par Value	Premium	Total
3,625,000 shares at January 1, 1966 .	\$181,250.00	\$252,500.00	\$433,750.00
75,000 shares issued during year for mining claims	3,750.00	18,750.00	22,500.00
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3,700,000	\$185,000.00	\$271,250.00	\$456,250.00

Capital Surplus 559,380.87

Deficit (as per attached statement) (628,086.91) 387,543.96

Note: The accompanying notes to financial statements form an integral part of these statements.

Approved on behalf of the Board of Directors:

J. J. C. EVANS, Director

JOHN S. GRANT, Director

\$419,291.84

THE SHAREHOLDERS

1966 and the related statements for the year ended on that date. Our examination and other supporting evidence as we considered necessary in the circumstances.

position of the company as at December 31, 1966 and the results of its operations for the year on a basis consistent with that of the preceding year.

findings which, in our opinion, when considered in relation to the aforementioned statements, are satisfactory for the year ended December 31, 1966.

Respectfully submitted,

SOUPCOFF, STARKMAN, KRAFT & CO.

Chartered Accountants.

CALVERT GAS & OILS LIMITED

Statement of Deferred Development Expenditures on Mining Claims

For the Year Ended December 31, 1966

Diamond drilling	\$ 663.25
Engineers and consultants	2,347.00
Geophysical surveys	3,706.26
Travelling expense	997.93
License, fees and taxes	1,450.00
Miscellaneous	81.91
EXPENDITURES FOR THE YEAR	\$ 9,246.35
<i>Add:</i> Deferred development expenditures December 31, 1965	143,893.72
DEFERRED DEVELOPMENT EXPENDITURES — DECEMBER 31, 1966	\$153,140.07

Statement of Source and Application of Funds

For the Year Ended December 31, 1966

SOURCE OF FUNDS:

Net loss from operations	\$(2,112.39)	
<i>Less:</i> Depletion, depreciation and amortization	2,836.22	\$ 723.83
		<u>\$ 723.83</u>

APPLICATION OF FUNDS:

Additional advances to wholly-owned subsidiary	\$ 991.51
Decrease in reserve for foreign exchange	112.80
Additions to lease equipment	85.43
Additions to interests in undeveloped leases, reservations, etc.	1,203.08
Option payment on mining claims	3,000.00
Deferred development expenditures on mining claims	9,246.35
Addition to mining equipment	3,221.00
	<u>\$ 17,860.17</u>

DECREASE IN WORKING CAPITAL	<u>\$(17,136.34)</u>
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CALVERT GAS & OILS LIMITED

Notes to Financial Statements

December 31, 1966

NOTE 1: Subsequent to December 31, 1966 the company sold all of its interest (shares and advances) in its wholly-owned subsidiary, Bedford American Petroleum Corporation, for \$30,000.00 subject to adjustments. As at December 31, 1966 the company wrote down its investment in its subsidiary to \$30,000.00 and therefore did not consolidate the accounts of the subsidiary company in the accompanying financial statements.

The net loss of Bedford American Petroleum Corporation for the year ended December 31, 1966 was \$55,332.00 and its accumulated deficit account to December 31, 1966 amounted to \$164,970.00.

NOTE 2: Interests in productive leases, development costs and equipment are carried at cost less accumulated depletion, amortization and depreciation. Depletion of cost of producing properties, amortization of well development costs of producing wells and depreciation of production equipment are being provided for on the unit-of-production basis which will write off the lease cost over their estimated geological life and write off the well development costs and production equipment costs over the estimated geological life of the wells.

Upon retirement or disposal of property assets, the cost of the properties retired or disposed of and the related accumulated depletion, amortization and depreciation are removed from the respective accounts; net profits or losses resulting therefrom are credited or charged to income. Drilling expenses which have resulted in dry holes are being written off to operations.

Interests in undeveloped leases, reservations, etc. are valued at cost. Lease rentals and miscellaneous acquisition costs are being charged to the cost of the respective undeveloped properties. On abandonment of undeveloped properties, their cost, together with accumulated development expenses, will be written off to operations.

NOTE 3: No depreciation has been taken on mining equipment and supplies or on the Airstrip. All expenditures on the mining claims are being deferred.

NOTE 4: The organization and reorganization expenses are being amortized on a straight line basis over a period of five years.

CALVERT GAS & OILS LIMITED

Statement of Deficit

For the Year Ended December 31, 1966

DEFICIT — January 1, 1966			\$466,599.66
ADD: Net loss for year (per attached statement)	\$ 2,112.39		
Write down of investment in wholly-owned subsidiary to realizable value (Note 1)	\$166,058.72		
LESS: Reserve for foreign exchange no longer required	6,683.86	159,374.86	161,487.25
DEFICIT — December 31, 1966			<u>\$628,086.91</u>

Statement of Operations

For the Year Ended December 31, 1966

OPERATING REVENUE

Gross oil and gas sales	\$ 10,529.62
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OPERATING COST AND EXPENSES

Production and operating expenses	\$ 1,691.33
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GENERAL AND ADMINISTRATIVE EXPENSES

Transfer agents' fees and expenses	\$ 2,216.94
Legal fees	1,375.99
Directors' fees	1,400.00
Audit fees	1,440.15
Annual meeting and shareholders' information	1,238.62
Telephone and telegraph	104.92
General and office expenses	151.26
Licenses, fees and taxes	215.00
Filing fees	216.95
Travel expenses	62.41
Interest and bank charges	1,587.89

\$ 10,010.13

LESS: Interest earned	1,895.67	8,114.46	9,805.79
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NET OPERATING PROFIT BEFORE PROVISION FOR UNDERMENTIONED ITEMS:

\$ 723.83

Depletion (Note 2)	\$ 855.96		
Depreciation (Note 2)	494.30		
Amortization of Development Costs (Note 2)	926.52		
Amortization of Organization Costs (Note 4)	559.44		2,836.22

NET LOSS FOR YEAR \$ (2,112.39)